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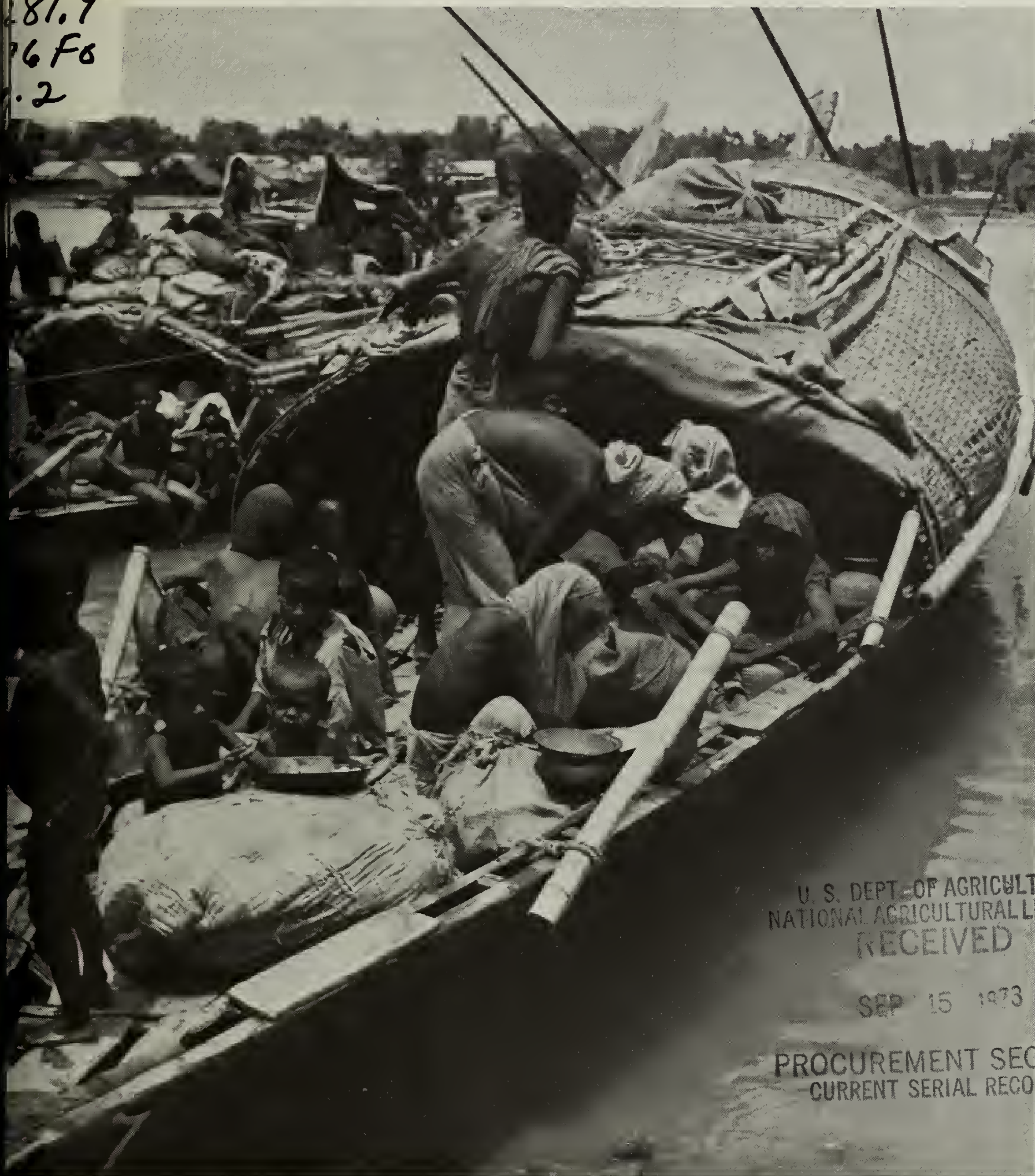

Australian Cotton

European Community Reviews the CAP

Foreign Agricultural Service
U.S. DEPARTMENT OF AGRICULTURE

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In this issue:

This week's cover:

Bangladesh river people—a common scene in this densely populated, food-deficit country. Natural disasters and poor agricultural results of the recent past have again necessitated large amounts of food and other assistance to Bangladesh. See article beginning page 6.

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Australian Cotton Industry Faces Uncertain Future

By FRED M. LEGE, III
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AUSTRALIAN COTTON production which showed such promise in 1971-1972, when a record crop of 192,000 bales (480 pounds net) made this traditional cotton-importing Nation a sizable exporter, faces less rosy prospects today.

Insects, blight, and lower prices in the current season would perhaps be viewed with less alarm if it were not for expectations of continued lack of Government encouragement for industry expansion.

The outlook for this year's crop (1972-73) was for a new record, but severe insect infestations have reduced yields to an expected 150,000 bales. Department of Primary Industry officials warn that this figure could be revised even further downward before the end of the season.

Moreover, although a satisfactory level of world prices during most of 1972 has offset loss of subsidy under the Cotton Bounty Scheme, profitability had been eroded in recent months by high rises in labor and spraying costs.

Also, revaluation of Australian currency and currency realizements in other countries resulting from devaluation of the U.S. dollar caused a sharp reduction in selling prices early this year. Some cotton industry spokesmen claim a loss of about $36 per bale. New South Wales and Queensland cotton growers' associations have asked the Commonwealth Government for compensation, but it appears that their request will be denied. Consequently, the 1973 crop is likely to yield substantially reduced returns.

The decline in consumption of domestically-produced cotton, caused by a trend toward synthetics as well as by imports of cheap cotton supported by the Government, is expected to continue. And it appears that the industry will receive no assistance from the Government to encourage expansion. Thus, international and world market prices in the next few years will be major determining factors in the future.

Last December, the Namoi Cotton Cooperative announced forward sale of 16,000 bales of the 1973 crop to the People's Republic of China for shipment in April-May 1973. However, this first major forward sale for 1973 will probably not be followed by others untill effects of currency realinement on price levels are determined. Japan, Hong Kong, the Philippines, Belgium, and China are expected to be major buyers of the 1973 export surplus. In recent seasons, Japan and Hong Kong have been important markets, and in 1971-72 Belgium joined the ranks.

The record 1972 crop produced a large surplus, and exports for 1972-73 are expected to total about 38,000 bales, compared to an estimated 13,000 bales in 1971-72 and 19,000 bales in 1970-71.

Since the crop was more than adequate to supply domestic requirements of average staple lengths, imports will be largely confined to specialty cottons (long staple cotton in excess of 1.06 inches) from Uganda and Tanzania or short and extra short staple cotton from India and Pakistan for medical products. Imports during the 5 months ended December 1972 amounted to about 4,192 bales, of which 495 came from India and Pakistan, the remainder from Uganda and Tanzania. No imports from the United States were recorded, and it appears that none will be made this year. Total imports for the year are expected to approximate 15,000 bales.

THE 1972 cotton crop showed a sharp recovery from the low 1971 level of 88,000 bales, caused by floods. Area planted continued to increase, with some expansion in the Namoi area of New South Wales, but mainly because of larger plantings in the Macquarie River Valley and in Queensland. Total acreage planted reached 97,829 acres, but small areas were abandoned in the Murrumbiggee Irrigation Area and in Central Queensland, bringing harvested acreage down to 97,688 acres.

National average yield was just under 1,000 pounds per acre. This was substantially exceeded in the Namoi area. However, light yields from Queensland dry-land production brought the average down, while at the Ord, in Western Australia, average yields per acre also were fairly low at 809 pounds per acre.

Total New South Wales production was 147,548 bales, an increase of 90,000 bales from the previous year, when the Namoi area suffered heavy flood losses. Although the production boom was partly due to better seasonal conditions, the major factor was an increase in acreage of about 25 percent over the previous record in 1970-71.

Queensland production, also the highest in many years, totaled 29,326 bales, approximately double the 1971 crop and about 50 percent above the previous record. But meanwhile in Western Australia, the small increase in acreage harvested was insufficient to offset a decline in yields. Production in that state fell to 15,406 bales, about 9 percent below the previous season.

The Commonwealth Raw Cotton Bounty Scheme was progressively phased out over the past three seasons beginning with 1969-71, and this season (1972-73) was the first year growers had to produce without any subsidy. Only producers at the Ord still received direct and indirect subsidies of about 4 U.S. cents per pound from the Government of Western Australia because of their high input costs and distance from markets.

Acreage planted in the present season (1972-73) reached a new record of an estimated 106,475 acres. Plantings were higher in all states except Western Australia, where they were down 30 percent. A crop of 221,000 bales was expected until late January, when severe infestations of *Heliothis armigera* and *Heliothis punctigera* caterpillars developed in the Namoi area, causing significant damage.

Many area growers sprayed their

Cotton harvest, left, in the Namoi Valley of New South Wales, Australia's foremost producing area. Above, cotton ginned at co-op owned by area growers. Top, processed bales await shipment. Insect infestation has sharply reduced 1973 output.

crops every other night but failed to gain adequate control. When *heliothis* insects developed resistance to DDT, the more expensive and less effective Toxaphene and Sevin were used. Due to heavy spraying, incidences of poisoning occurred, and an urgent inquiry is now underway to develop more effective controls.

Also at the time of the insect infestation, a bacterial blight hit crops, probably mainly because of warm and humid weather. Due to these problems a reduction of about 39,000 bales in the Wee Waa area seems likely.

Yield prospects for the Macquarie Valley and the Bourke District of New South Wales, where such problems have not been encountered, are expected to remain the same.

However, area of raingrown cotton in Queensland has been further reduced. Last year, 3,357 acres were planted; this year only an estimated 2,850 acres. Uncertainty of this crop without irrigation coupled with current high prices for grain sorghum and sunflower make the latter crops more attractive to farmers. It is generally accepted that within a few years, very little raingrown cotton will be produced in Queensland.

Production at the Ord is also trending downward, as farmers have increasing difficulty coping with insects and consequent high spraying costs. It now seems unlikely that additional irrigation areas created by the Ord River Dam will ever be used for cotton.

The new Labor Government is not expected to promote policies which will encourage increased cotton production and expansion of the industry. On the other hand, the Government probably will endeavor to hold a high level of employment in the industry, a large employer of female workers.

Still, it is unlikely that the Government will accede to requests by the domestic industry to place stronger restraints on imports of certain cotton goods, thus increasing its share in the home market from 16 to 35 percent.

The Government will probably not wish to increase cost of cotton goods to consumers by cutting off flow of cheap imports, and moreover is committed to supporting better trading opportunities for the underdeveloped countries which supply Australia with much of its raw cotton.

Similarly, the Government has been reluctant to increase growers' returns from cottonseed sales, which not too long ago accounted for slightly over 10 percent of total cotton returns. With expansion of imports of palm oil from South East Asia and Papua/New Guinea, demand for cottonseed has dropped sharply, and some cooperatives had trouble getting satisfactory prices for cottonseed oil. The industry's request for a protective duty on palm oil at least equal to that on other edible oils was rejected by the Government.

Pending creation of its proposed "industry planning body," the Department of Secondary Industry will expand activities of the Textile Industry Advisory Panel with particular emphasis on solutions to import competition.

"Production at the Ord is trending downward. . . . It now seems unlikely that additional irrigation areas created by the Ord River Dam will ever be used for cotton."

Recently, Minister for Secondary Industry Dr. J. F. Cairns told the industry that because overall public interest goes further than industry needs, representatives of consumer interests will be included on the panel. Special committees will be established to study improvement of plant utilization, fashion and design assistance, development of technical training facilities, consolidation of production units, and low-cost imports. "On the particular problem of low-cost imports, the panel will be asked to look at ways and means whereby industries adversely affected will be able to operate satisfactorily side-by-side with imports," he said.

Consumption of domestically-produced cotton, which had trended upward until 1970-71 (when it reached nearly 132,000 bales) fell back sharply in 1971-72 to 125,000 bales. Raw cotton consumption by domestic spinners is expected to show further decline during the 1972-73 season, bringing consumption to about 120,000 bales. As a proportion of this cotton is used for medical purposes, actual consumption by spinners will be somewhat lower, probably 115,000 bales. In 1973-74 this figure should fall even more. (Spinners predict a decline to 111,000 bales.)

Apparently, over the long range consumption of domestically-produced cotton will fluctuate between 110,000-120,000 bales per year with any increase in raw cotton production going into exports. The domestic market for cotton goods will be increasingly met by imports, since consumption remains fairly static at about 18 pounds per capita per year while population increases at a rate of 2 percent per year.

On the domestic market, cotton is sold under private treaty arrangements, with prices determined by negotiations between ginners and spinners. However, the Commonwealth Government requires spinners to pay approximate import parity based on Liverpool prices in U.S. cents with appropriate allowances for freight differentials between Gulf ports and Liverpool and Gulf ports and Australian ports.

This voluntary arrangement forms the basis of by-law treatment for imported cotton. Introduced in 1969 when the industry agreed to maintain domestic prices at around import parity in the face of rising production, the scheme provides duty-free entry for imports by spinners who have bought their quotas of local crop, assigned by the Department of Primary Industry on the basis of their total output.

Although Australian production now exceeds domestic requirements, the system has not been changed. Surplus production must be marketed overseas by ginners, and the Government generally does not get involved in this trade.

Domestic market quotas are reviewed each year and apply to cotton up to and including 1-1/16 staple length. Longer staple cottons may be purchased without conditions on the domestic market. This may explain a sharp increase in production of longer staple cotton in 1972. About 20 percent of the crop exceeded 1-1/16 inches, while in earlier years, the percentage varied from 1-8 percent.

Since prices of locally sold cotton follow broadly changes in import parity while exported surplus brings world market prices, it follows that changes in world cotton prices are reflected in grower returns.

The import parity price for 1-1/16 inch strict middling (the suggested price basis upon which ginners and spinners negotiate) hit a peak of about 49 cents early in 1972. Toward the middle of the year, the price declined steadily and by September was only 40 cents per pound, close to the level of 2 years earlier. Since then, the market has recovered and by the end of December, the price reached about 48 cents.

Poland Needs Grain Imports Despite Good Crop Prospects

Dependent on grain imports to support its thriving livestock economy, Poland is cautiously assessing the world grain supply situation earlier than usual this year, with an eye to purchasing its annual grain requirements—possibly as much as 3 million tons. Of this total, more than 2 million tons remain to be purchased.

Tighter world grain supplies, possible transportation problems, and the fear of higher prices have led Poland to make grain purchases from non-Communist countries this summer, rather than waiting until fall, as has been done in previous years.

By June, Poland's reported grain purchases for delivery in fiscal 1974 totaled about 750,000 tons, of which an estimated 300,000 tons were U.S. corn, 250,000 U.S. wheat, and the remainder barley, probably from France.

Under the present bilateral agreement, it is expected that the Soviet Union is committed to deliver at least 850,000 tons this year, probably mostly wheat as usual. The remaining 1.6 million tons that Poland may require most likely will be imported from the United States, Canada, or France.

Poland's grain-import position in fiscal 1974 is somewhat less secure, since long-term bilateral grain agreements with both Canada and France recently expired. To backstop grain import requirements from the West, however, Poland is reportedly attempting to negotiate further long-term purchase guarantees with Canada.

In fiscal 1973, the United States exported 1.2 million tons of grain to Poland. This total includes U.S. wheat bought by the Soviet Union. Deliveries of U.S. grain to Poland in fiscal 1974 will depend on the world price-supply situation, but probably will not exceed 750,000 tons, of which 450,000 tons could be corn and 300,000 wheat.

Of the 3 million tons of grain that Poland may need to import in fiscal 1974, purchases may include about 1 million tons of bread and Durum wheat, and the remainder feedgrains—barley, corn, or even feed wheat—depending on which is priced lowest at the time purchases are made.

Estimates of Poland's grain import needs are based on the assumption that the country will harvest another record grain crop this year. Should poor weather reduce the harvest—as it did in 1970—import needs will, of course, be greater than expected.

Harvested mainly in July and August, Poland's grain crop is currently estimated at a minimum of 21 million tons —a little higher than last year's bumper crops. According to the Ministry of Agriculture, wheat and barley acreage rose this year by as much as 10 to 20 percent, respectively.

Official reports indicate that winter grain crops fared well, with winterkill below average. Although a cool spring and scattered areas of below-normal moisture in some areas hampered growth somewhat, spring crop seeding is said to have occurred about 2 weeks earlier than usual.

Inputs by the State appear to be adequate to support production increases this year. Among negative input factors that might affect the crop were shortages of fertilizer in some scattered powiats this spring and a continuing deficiency of trace elements in fertilizer. Also, some 40 percent of harvesting machinery was said to need repair in May and spare parts were in short supply.

If growing and harvesting conditions are satisfactory, however, Poland is likely to reap an excellent grain crop this year. Poland would naturally like to meet its feed requirements from domestic production. To do so, the crop would have to be 17 percent higher than last year's record output. Since 1960, a 3.5-percent yearly increase has been average, with the largest annual output gaining 7 percent over a record harvest the previous year.

Poland's dependence on imported feeds stems from a highly ambitious drive to increase livestock numbers, aimed at meeting rising domestic meat demands and maintaining meat and meat product exports—the country's leading source of hard-currency foreign exchange.

Consequently, the livestock industry's demand for higher-priced grain imports is placing considerable stress on available foreign exchange, so that most purchases from non-Communist countries are made on a long-term credit basis. Since 1971, Poland's grain import policies have emphasized holding grain purchases as low as possible, but still importing sufficient quantities to meet minimum livestock industry requirements.

—Based on a dispatch from
ALAN W. TRICK
U.S. Agricultural Attaché, Warsaw

Wheat, harvested near the village of Borowina in Lublin Province, will help to support Poland's thriving livestock industry, as will grain imports.

Food Shortages Imposing More Problems on Bangladesh

By GENE R. HASHA
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IN BANGLADESH—in the midst of all the problems that confront this new Nation—one objective stands preeminent: that of obtaining and distributing sufficient food supplies.

This focus on the basic life struggle reflects 3 years of great misfortune for Bangladesh, including successive poor harvests, floods and other natural disasters, and the civil war that led to the Nation's independence in 1971.

Massive imports since early 1972 have helped relieve the resulting food shortage. However, in the face of a current worldwide shortage, the situation is less assured this year than in the past, and it looks as if Bangladesh foodgrain imports may be some half-million tons below needs. While this deficit could be partially filled by larger harvests during the summer, the Bangladesh Government continues to give highest priority to obtaining food imports for the "starvation months" between now and the main December harvest.

In the meantime, farmers are seeking to increase production of additional crops. And the population in general anxiously watches the summer monsoon, hoping that—after 3 adverse years—the rains will allow a bountiful harvest.

Definitive accounts of Bangladesh's current food supplies, particularly of domestic production and stocks, are not available. However, the massive foreign aid that has flowed into Bangladesh during the past 2 years, and estimates by authoritative sources, give some indications of the situation.

Following the hostilities with Pakistan and eventual independence of Bangladesh in 1971, a massive inflow of international assistance began to help the country recover from the combined effects of war and natural disasters. Initially from India and subsequently from the United States and several other countries, the total aid commitments mounted to over $1.3 billion by January 1973. About a fourth of this has come from the United States. Around half the total has been on a grant basis, with most of the remainder in the form of long-term loans.

At the same time, imports and distribution of foodgrains, under the auspices of the United Nations, has proceeded with dispatch.

These far-reaching efforts helped Bangladesh avoid famine last year and during the first of 1973. Reports of United Nations Relief missions indicate that Bangladesh by mid-1973 had proceeded with food supply operations at least as well as during the same period of 1972. In fact, imports of foodgrains were about 40 percent higher than in the same period of the previous year.

However, for the remainder of 1973, the situation is not so optimistic, reflecting the general tightening of world grain supplies and the critical need in Bangladesh during the months preceding the main harvest in December.

Currently, there does not appear to be enough firm international food aid commitments, nor funds for commercial purchases, to meet import requirements of 1.4 million tons projected by the Bangladesh Government for the last half of 1973. This is a 9-percent reduction from actual distribution during that period of 1972.

Imports of about 400,000 tons of foodgrains are considered probable, if not assured, for this period form Canada, Australia, Europe, and Japan. The United States will definitely provide 200,000 more metric tons of wheat through a grant program and at least 80,000 tons of wheat under its fiscal 1974 P.L. 480, Title I, pledge of $64 million. However, the actual U.S. Title I agreement with Bangladesh for fiscal 1974 has not yet been finalized or approved.

Above, market day at a country town in Bangladesh. Right, with large areas of the country subject to flooding because of cyclones and tidal waves, many of the Bangladesh live year-round on boats, which they use to transport rice or jute—the country's two main crops.

In addition, the Soviet Union will divert 200,000 tons of its U.S. wheat purchases to Bangladesh in August-September on condition of later repayment.

Assuming that these commitments remain firm and arrive in time, Bangladesh will be 500,000 tons short of projected requirements for July-December. This would mean total foodgrain imports in 1973 of about 2.3 million tons, compared with 2.4 million in 1972. About 1.1 million tons of the 1973 imports have been purchased commercially.

Last year, according to the best available information, the Bangladesh Government boosted its foodgrain distribution to a total of 2.7 million tons by reducing stocks some 300,000 tons. But in 1973, beginning stocks were at minimum levels, prohibiting any further reduction. Thus, total distribution of foodgrains in 1973 will be less than in 1972 —and very much less during the critical year-end period.

However, preliminary reports of a good domestic *boro* harvest in May-June—and assumptions of a good *aus* crop in late August—indicate that the reduced imports may be partially offset by higher availabilities from domestic production.

According to the best available estimates, total per capita food availability in 1973 will be about equal to 1972 levels, should the optimistic crop projections prove correct and all tentative imports arrive as scheduled. Nonetheless, consumption levels will probably fall in the latter part of 1973 because of the higher rate of consumption during the first half of the year.

In addition to the better domestic crop, the tight situation could be alleviated by the considerable flexibility that appears to exist in foodgrain distribution requirements. Most nonfarmers in Bangladesh have ties with the countryside through which they can obtain some assistance in the event of reduced rations. And expanded consumption of other foods can partially compensate for the overall foodgrain shortage. Vegetables such as okra and snapbeans, for instance, can be grown quickly. Spinach requires as little as 3-4 weeks, and some increase in consumption of taro, cassava, and potatoes is possible.

Such a reaction to a foodgrain shortage is possible in Bangladesh only so

". . . Bangladesh will be 500,000 tons short of projected requirements for July-December. This would mean total foodgrain imports in 1973 of about 2.3 million tons . . ."

long as there is plenty of water. Fortunately, so far this year, rainfall has been more than adequate and, together with Bangladesh's rich alluvial soil, has produced a rich, green countryside.

Although possible, the substitution of vegetables and starches for rice may not necessarily be popular. The reaction to this necessity, to the degree that it appears this year, will depend largely upon the visible progress of the large *aman* rice crop to be harvested in December but still in the fields during the difficult period. The promise of abundant rice in the near future will temper the dissatisfaction with temporary shortages.

Although aggravated in recent years by natural disasters and the 1971 war of independence, the food problem is not new to Bangladesh. Here, since time immemorial, capricious weather has caused wide fluctuations in farm production—difficulties which are compounded by transportation and infrastructure problems and the pressures of a dense and rapidly growing population.

Over 75 million people live in an area no greater than Arkansas, and the population is increasing at 3 percent a year. Bangladesh now has some 2,000 persons per arable square mile who must subsist on per capita incomes low even by Asian standards. The country's last normal year with good weather, in contrast, was 1969, and even then 1.5 million tons of foodgrains, or 15 percent of total availability, had to be imported.

Bangladesh continues to convalesce from its war of independence and other calamities. However, shortages of capital, raw materials, spares and components, transport facilities, power, and skilled labor and management remain serious constraints to governmental and private reconstruction and development efforts.

In contrast to the relative price stability of the 1960's, inflation has been rapid since 1971. Short agricultural production and insufficient and higher-priced imports have resulted in rising food prices. Reduced industrial production and a restrictive import policy, which suppressed most imports other than foodgrains, resulted in scarcities of most commodities. Inadequate domestic transportation facilities further compounded shortages.

From January to mid-October 1972, retail prices in Dacca rose by at least 50 to 60 percent. Price increases moderated at the end of 1972 following the main harvest, acceleration of Government distribution of imported foodgrains, and more liberal imports of consumer goods.

However, food prices have been rising sharply again in 1973. The retail price of rice by mid-1973 had reached Takas 75-92 per maund (82 lb.), the equivalent of 12 to 15 cents per pound or $265 to $330 per metric ton. Domestic rice prices did stabilize somewhat after the winter rice crop came into the market in mid-summer and the arrival of massive wheat imports.

Most urban Bengalis and the rural landless and smallholders cannot afford much open market rice and must rely upon Government fair price shops for at least a part of their food at fixed lower prices. Estimates indicate that during 1972, as much as 35 percent of Bangladesh's population was dependent to some degree on Government foodgrain distribution, compared with only 10 percent of the population prior to the war. As a result, the Government marketing operation has burgeoned from distribution of less than 750,000 metric tons of grain in the mid-1960's to the 2.7 million tons of 1972.

Government foodgrain distribution in Bangladesh operates through several channels. Statutory rationing supplies the large urban population rations within four categories of eligibility, based on income and degree of direct access to foods. A much larger segment of the population receives modified rationing —not a legal responsibility but a "moral" one according to Government officials. Some grain is distributed directly as relief or injected into the open market to exert some direct control on open-market prices.

If supplies run short and foodgrain distribution must be curtailed, the burden will fall progressively, beginning with those with least need. Modified rationing areas will receive reduced or suspended allotments, followed by reductions in the four statutory rationing categories.

European Community Preparing To Review the Common Agricultural Policy

By ROBERT G. HARPER
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THE EC COUNCIL of Agriculture Ministers soon will begin a review of the European Community's Common Agricultural Policy (CAP), focusing on how it has worked and what its future direction should be. While the review is not expected to produce major changes in the CAP's principles or how they are applied, it could open the way for further debate of issues that have become increasingly controversial within the Community.

Prepared by the European Commission and scheduled to be presented to the EC Council before October 1973, the review was announced last spring by P. J. Lardinois—European Commissioner responsible for agricultural policy—during the Commission's meeting to determine 1973-74 price supports.

The acrimony surrounding proposals made at that meeting suggests the difficulty inherent in attempting to agree on modifications in the CAP. Moreover, no Member State has yet put itself forward as the champion of change, although individual Commissioners have made suggestions for reform, and discontent with the CAP has been widespread among individuals and organizations in the EC (see *Foreign Agriculture,* June 11, 1973).

Currently, it seems likely that the Commission's report will go to the Council shortly before its next meeting, which is scheduled for September 24-25; that the report will be discussed in the Council only briefly in September, with the debate continuing over several months; and that any agreement on reform measures would develop in the course of determining 1974-75 prices next spring.

Commission views. In announcing the review, Mr. Lardinois said that it had become clear that existing CAP machinery had been inadequate to meet current problems but that alternatives would be hard to devise and reform would have to come step by step. He explained that while he would be open to suggestions for new policy measures, it would first be necessary to collect all of the facts and to discuss them dispassionately.

Mr. Lardinois appears to be contemplating changes in certain price support relationships as the principal way to reduce CAP expenses. One such change could be a lower intervention price for butter, perhaps coupled with measures encouraging greater production of skim milk powder and cheese. The butter price reduction approved last spring was much smaller than the Commission had recommended, and expensive butter surpluses in the Community have attracted considerable criticism.

Another change could be a readjustment in the relationship between support prices for feedgrains and breadgrains, possibly to the point of a single guaranteed price for all grains.

Mr. Lardinois has also made general comments on the need for examining national subsidies and for making changes in the present market guarantees in the case of surplus products, but there have been no indications of what measures he might propose in these areas.

COMMISSIONER ALTIERO SPINELLI, an Italian commissioner whose primary responsibility is for industrial policy but who has a longstanding interest in agriculture, apparently has more fundamental changes in mind. In fact, the proposal for a CAP review is thought to have been put forward at his instigation.

Mr. Spinelli believes that the Community has been too dogmatic in its reliance on price policy to support farm income and that it should be possible to interchange or combine price and structural measures to achieve given objectives. For example, if policy measures to correct market imbalances resulted in lower prices and consequent loss of income to farmers, these farmers might be compensated through direct payments. Such payments would be based on the value of production per acre for each product affected and could be reduced for farms larger than 50 acres.

Then, relieved of their income support role, prices could fulfill their basic function of clearing the market and relating production to demand, Mr. Spinelli believes. To this end, they should be based on objective criteria and not on annual bargaining. They should not aim at absolute self-sufficiency. Production surpluses might be restrained through a diminution of price guarantees or the introduction of production allocations, but in no case should price increases be permitted when production was in surplus. Reforms of this nature would make producers coresponsible with governments for the operation of the system.

COMMISSION VICE PRESIDENT Sir Christopher Soames sees grain price reductions as the first step toward return to a unified market. Direct payments to farmers would be selective in distinguishing between those farms which could make up for a price reduction through increased production and those which could not. A mechanism for automatically reducing intervention prices when intervention supplies exceed certain levels would give producers a degree of responsibility for making the system work.

Mr. Finn Olav Gundelach, the commissioner from Denmark, disagrees with Mr. Spinelli and Mr. Soames concerning the possible role direct payments might come to play in supporting farm income. He believes that such payments would only prolong the existence of small farms, such as those under 50 acres, which are not economically viable. Moreover, the expense would be insupportable. In his view, direct payments should be limited to aspects of social and regional policy, such as subsidies for farmers who are too old to modernize their establishments or to find employment outside agriculture. He believes that surpluses should be controlled through establishing, at the outset, prices which would not lead to imbalances.

The views of Dr. Patrick Hillery, the Irish commissioner, are similar to

those of Mr. Gundelach. He believes that the pricing structure of the Community should be maintained so as not to discourage efficiency. He would agree to certain direct payments to small farmers as measures of social, regional, and environmental policy.

There has been no indication as yet of the views of the remaining eight commissioners.

Member State attitudes. Any change in the CAP would be anathema to France. Agriculture Minister Jacques Chirac has been quoted as saying, "It is not possible, and it will not happen." He asks instead why people would want to change something which has proved itself so successful. The Community has dealt with butter surpluses before, he contends; it is simply a matter of adjustment, such as through disposal programs.

Mr. Chirac goes on to argue that consumer prices in the Community are not abnormally above world market levels—that prices have stabilized in the Community whereas they have risen enormously elsewhere. In less than a year, he says, world market prices for the most important products will have reached the Community level.

For the French, CAP reform means restoration of the unified Community market. This is disrupted now by border charges and payments which adjust for differences in exchange rates among the Member States.

The Germans, however, categorically refuse to contemplate an end to this system, which serves to isolate the German farm economy to a degree from the remainder of the Community, until full economic and monetary union has been achieved—something that is not likely to happen soon.

This issue was the most bitterly contested item in the price deliberations last spring. The Germans made their view clear that agricultural policy can no longer be considered in isolation as the engine of Community integration.

German Agriculture Minister Josef Ertl has not committed himself on the form the present review should take. But his colleague, Finance Minister Helmut Schmidt, told a farm rally in Stuttgart recently that the Community's agricultural policy has not been adequate and that it must be subjected to a thorough examination. While advancing no specific proposals, he suggested that the solution to be worked out put the onus of resolving surplus problems on the country where those surpluses originate—that is, not in Germany. Mr. Schmidt mentioned in this connection a proposal by German Farmer Union Vice President Karl Dobler which appears to involve some form of tax on a quota basis to be paid where surpluses are produced.

On the other hand, Minister Ertl's deputy, Hans-Jürgen Rohr, has been quoted as saying, "There will not be an absolute and revolutionary change in the system." He said that the frequently mentioned British deficiency payment system was not an answer because it would be several times more expensive than present support expenditures and would involve substantial administrative difficulties. He went on to say, however, that it might be usable for certain regions or categories of farms.

British Agriculture Minister Joseph Godber made clear last spring his view that CAP prices are too high. The British are concerned over the CAP's cost, in terms of budget and consumer prices. This cost was again brought home to them when it was announced in Parliament that the United Kingdom would contribute an extra £33 million this year as its share of a supplemental budget resulting primarily from increased costs under the CAP.

The remaining Member States have thus far said little about the issue of CAP reform. Italy has objections to the CAP system, and Italian objectives such as structural policy and stronger fruit and vegetable measures must be considered in any bargaining process.

Views of private individuals and organizations. Last May, 22 economists from all of the Member States meeting in Wageningen, the Netherlands, issued a statement summarizing the major areas of consensus among them on how Community agricultural policy should proceed. The economists agreed that income support measures for farmers in poorer areas should be begun soon. Relative commodity prices might be modified through stabilizing wheat prices, restricting export subsidies, and regulating intervention purchases.

They proposed that the Community try to agree with other countries on

Continued on page 16

EC MIGRANT LABOR AT NEARLY 6 MILLION

While the European Community (EC) continues to suffer from the problems of too many small farmers, it has over the past decade encouraged a vast influx of migrant labor, largely from the Mediterranean Basin.

Today, the EC migrant labor force totals nearly 6 million workers, compared with only 1 million (mostly Italians) in 1959. Most of these are in West Germany and France. West Germany has as many (2.4 million) migrant laborers as it has agricultural workers, and France has more (3 million compared with 2.9 million farm workers).

As a percentage of the total work force, migrants numbered 14.2 percent in France, 8.7 percent in Germany, 7 percent in Belgium, 2.7 percent in the Netherlands, and 25.7 percent in Luxembourg.

These workers are overwhelmingly unskilled laborers, concentrated in the metals industry, construction, catering, and engineering. Some 4 million of these migrant workers come from Mediterranean Basin countries, especially North Africa.

Such a preponderance of migrants serves as an impediment to the outflow of workers from domestic agriculture. It also works to the disadvantage of the EC by—

- Reducing the incentive for industry to invest capital in labor-saving techniques;
- Increasing costs of social welfare programs;
- Reducing labor costs, thus decreasing the incentive for agricultural workers to move to industry. In France, foreign construction workers reportedly receive 60 percent of the wage paid a Frenchman; while in Germany, they receive 75 percent of that paid a German. The overall effect is to depress the wage level. Thus, in Germany, the average income of an agricultural worker is roughly 75 percent that of an industrial worker.

—*By Jo Ann Hallquist, FAS*

EC Entry Spurs Growth of U.K. Co-ops, Contract Farming

By DAVID P. EVANS
Office of U.S. Agricultural Attache London

British entry into the European Community (EC) is expected to encourage creation of more cooperatives and producer groups in the United Kingdom and favor growth of contract farming.

Producer groups in the EC may receive EC aid funds, and their agreements may in some cases be exempted from EC rules of competition. For the United Kingdom, entry into the EC has meant a potentially bigger market for some U.K.-produced agricultural products; competition with producer groups which play a large part in the EC market; and an increase in grading requirements and standardization.

One marketing system for control of quality production, which also provides a reliable method for producers to know what buyers want, is contract farming.

The Barker Committee, appointed by the Government in 1971 to study the subject, defines contract farming as "relating to systems for the production and supply of agricultural or horticultural produce under forward contracts, the essence of such arrangements being a commitment to provide an agricultural commodity of a type at a time and in the quantity required by a known buyer. Such production often involves some degree of transferred management responsibility and with it some degree of transfer of the commercial risk. It is also necessary that there should be some stated basis for fixing the price at which the produce is to change hands."

A disadvantage of contract farming is the threat of buyer monopolies, with many small producers selling to one powerful buyer. Those who represent farming have become alarmed about the possibility that food processors may try to control farm production directly. In the large EC market, however, such monopolies would be less likely to develop from a system of contract farming.

Recent trends in European food consumption favor growth of contract farming. Among these are steady growth in demand for quality-graded produce delivered to predetermined schedules in specialized packages and quantities, and the need for more preparation and processing due to growing demand for convenience foods. Contract farming is well-suited to coordination of seasonality and variability of food production with continuous demand for food.

Contract farming has been common practice in the United Kingdom for at least 40 years. As early as 1878 a company regularly bought mustard seed under contract.

Some 40 percent of U.K. farm produce in 1971-72 was on a contract basis or other formal direct selling arrangements; 29 percent was in commodities covered by statutory or other centralized marketing arrangements (notably milk and sugarbeets). Of the remaining 11 percent, some 43 percent of fat pigs, 29 percent of poultry, 23 percent of eggs, 15 percent of fruit, and 11 percent of vegetables were contracted.

However, most farmers are still not willing to commit themselves to full-scale production under contract and prefer to play the market with some proportion of their produce. It is still quite conceivable that a skilled farmer/businessman would fare worse under contract farming than if he took his chance on the open market, storing some of his produce and selling when supplies were low and prices high. Thus, the free marketing system, by which producers individually or collectively sell through auction markets, commission selling, or spot deals, still accounts for the greater bulk of U.K. farm marketing.

Other systems for production and supply of agricultural products in the United Kingdom include producer marketing boards, such as the U.K. Milk Marketing Boards where the Board has statutory powers as sole first buyer, and vertical integration (for example, feed manufacturers who integrate vertically into farming).

Agricultural cooperation in the United Kingdom is coordinated by the Central Council for Agricultural and Horticultural Cooperation. Currently active in the United Kingdom are 380 marketing cooperatives with a combined annual turnover of about US$478 million. These cooperatives reportedly account for 10-15 percent of all fruit and vegetables (including 30 percent of fruit production and 90 percent of peas), over 30 percent of eggs going

Picking British runner beans, right. Over a third are sold under contract, mostly for processing. Above, women pack fruit for Ledbury co-op, formed by area growers with an eye on EC competition. (Photo courtesy of Farmers Weekly.)

through packing stations, and 14 percent of grain. Pig marketing cooperatives also have several large and successful operations, but there is little cooperative activity in beef and sheep. Actually, only about 9 percent of total direct farm sales are through cooperative associations.

Although the agricultural cooperative movement originated in the United Kingdom, it has developed more diversely abroad. In the United States, over one-fourth of farm output and over one-sixth of input are handled by farmer-owned cooperatives. Cooperatives in many countries enjoy tax and financial privileges which British cooperatives do not have.

Cooperatives in the United Kingdom have always been more concerned with management of production and trading than with underlying financial and management structure of production units. Large commercial joint-stock companies therefore dominate all sectors of the farming industry beyond the primary production stage in the United Kingdom, while in Europe producer organizations are very active in the secondary stages as well.

When farmers move into marketing on a vertically coordinated basis some form of horizontal integration or cooperation on the farm level is necessary. The disparity of size between buyers and producers will otherwise become a serious problem. The Barker Committee made several suggestions for solution of these problems in a report released in 1972.

The Committee advised that an Agricultural and Food Development Authority be set up to cure financial management and structural weaknesses in production and marketing of U.K. farm produce and to prepare for future requirements of the trade. An independent body, it would have an all-embracing coordinating role, safeguard the U.K. farmer's access to and share of the market, promote and maintain various tiers of producer groups, but would not itself engage actively in trading.

The Authority would consist of a Government-appointed Chairman and Board of Directors, not representatives of any particular sector or interest. It would have its own staff and conduct its own financial operations. Its role in various commodity operations would be dependent on future roles of existing commodity agencies. It could embody some of their present functions except for those of intervention and allied activities taken on by the Intervention Board. It might invest in food processing and distribution, and provide risk and loan capital (on normal or special terms) for cooperative groups or joint ventures between cooperatives and private concerns. Funds could be obtained from private, public, or "city" sources. Also, it might act as a U.K. branch of the European market intelligence network and could engage in market development.

Although the Barker Committee believed that a new independent statutory body would be the best means of bringing about marketing improvements, a "Green Paper," *Agricultural and Horticultural Marketing,* published by the Government concurrently with the Barker Report, proposed an alternate solution. (A "Green Paper" is not a final position paper but only a document including proposals for discussion by interested bodies.) This paper suggested that the functions of the new proposed board could be built into existing organizations such as the Central Council for Agricultural and Horticultural Cooperation, the Agricultural Credit Corporation, the Home Grown Cereals Authority, and the Meat and Livestock Commission.

According to the "Green Paper," the Government intends to remove some of the obstacles that have inhibited development of cooperative producer groupings and second-tier groups. For example, legislation will be introduced to raise maximum shareholding at present limited to about US$2,400 in a cooperative society registered under the Industrial and Providence Societies laws.

The "Green Paper" invited views on whether cooperatives should be able to obtain more capital from non-producers, and whether producers should be encouraged to subscribe to cooperatives through funds financed from currently distributed surpluses. It asked if changes are needed in order to help cooperatives invest in joint ventures with joint stock companies or other organizations, and if there is adequate provision for operations of producer groups under the current agricultural legislation, which provides certain exemptions from the restrictive trade practices law.

The "Green Paper" notes that in the enlarged EC, it would be necessary to examine closely existing British marketing structures such as livestock auctions, wholesale agricultural horticultural markets, and marketing boards.

DAVID L. HUME NAMED FAS ADMINISTRATOR

Secretary of Agriculture Earl L. Butz has announced the appointment of David L. Hume as Administrator of the Foreign Agricultural Service.

Mr. Hume, who has been U.S. Agricultural Attaché in Tokyo since February 1972, succeeds Raymond A. Ioanes, who retired August 31 after 32 years of Government service.

Mr. Hume has been with FAS, the Government agency that represents U.S. agriculture in foreign affairs, since 1958. He served as director of the Dairy and Poultry Division, as assistant administrator for export programs, and then as U.S. Agricultural Attaché to London.

Mr. Hume, who is 59, was awarded the U.S. Department of Agriculture (USDA) Superior Service Award in 1971 for his work in London. During his tenure in Japan, U.S. agricultural exports to Japan rose by $1 billion for fiscal 1973. Japan is this country's largest agricultural customer.

Prior to joining USDA in 1955, Mr. Hume served as an officer in the U.S. Army Quartermaster Corps during World War II and as a civilian in the Quartermaster Corps Market Center System headquarters before becoming a partner in a Chicago wholesale food distributing firm.

U.S. TOBACCO LEAF MAY REGAIN TOP SPOT IN DUTCH MARKET IN 1973

The United States may again assume the lead in leaf tobacco exports to the Netherlands this year, after a 2-year abdication to African leaf. Historically the top supplier, the United States lost out to Africa for the second time in 1972, the fifth year in which the U.S. share of the Dutch market had fallen.

Now, with Dutch imports on the rise, and African supplies higher-priced because of drought damage and the U.S. dollar devaluation, U.S. prospects are looking up. U.S. cigarette exports to the Netherlands, up in 1972, may also rise.

In 1972, Dutch tobacco imports rose by 9 percent to 55,690 metric tons, of which 14,380 tons came from the United States. This was a 26-percent share of the market, one percent under that of the previous year. In 1968, when the U.S. market share started its current downturn it stood at 36 percent.

Responsible for the drop was the unfavorable price gap between U.S. and foreign tobaccos which has grown wider with the passage of time. As a result, the Dutch tobacco industry has sought less expensive replacements for U.S. tobacco.

Evidence indicates Dutch tobacco buyers are willing to buy U.S. tobacco in preference to others if the price is competitive. Some Dutch dealers expect the U.S. position to improve in 1973 because the recent drought, which has cut African tobacco output by at least 10-15 percent, will probably result in higher prices. The recent dollar devaluation will also help by reducing U.S. tobacco prices.

Tobacco imports from African suppliers in 1972 totaled 16,180 tons, up from 14,120 tons 1 year earlier. In order of importance, major suppliers in both years were the Republic of South Africa, Mozambique, and Malawi. Zambia, Madagascar, and the western region of Africa were minor suppliers.

Dutch tobacco product trading was lively in 1972.

Dutch cigarette exports increased from 5.4 billion in 1971 to 6.5 billion in 1972. Italy and France were principal buyers with 3.7 and 2.2 billion, respectively. Imports of cigarettes from the United States jumped from 55 million pieces in 1971 to 58 million in 1972.

Cigar exports from the Netherlands decreased from 174 million pieces in 1971 to 152 million in 1972. Dutch cigars are exported to a great number of countries but West Germany and the United Kingdom remain principal buyers, taking 53 million and 39 million pieces, respectively. The Netherlands cigar imports originate almost entirely from Dutch factories in Belgium. In 1972, total cigar imports were estimated at 400 million pieces, of which 399 million came from that country.

A half billion cigarillos were imported in 1972, mostly from Belgium. Exports totaled 1.7 billion pieces. The United Kingdom, France, and Belgium were the principal buyers.

Dutch exports of smoking tobacco declined 13 percent to around 6,000 metric tons. Although most destinations are not indicated, 455 tons went to the United States in 1972, compared with 576 tons in 1971.

Per capita consumption of cigarettes in the Netherlands increased from 1,486 in 1971 to 1,623 in 1972. Filter cigarettes have around 50 percent of the market.

Influenced by published data by consumer organizations, one Dutch cigarette company will begin to manufacture low-tar and low-nicotine cigarettes. This company has decided to use the health issue in its marketing effort, in contrast to customary practices among Dutch cigarette manufacturers.

Consumption of cut tobacco recovered in 1972 from the low level prevailing in 1971, while cigar consumption continued its downtrend.

—Based on a dispatch from
JOHN A. WILLIAMS
Assistant U.S. Agricultural Attaché
The Hague

Jamaica's Livestock Industry Stalls

Jamaican livestock and meat production has fallen off in recent years and there is slight hope of any immediate major expansion.

Land suitable for cattle raising is limited and expensive, and most grains and other feed ingredients, largely imported, are also high. These, coupled with a low commercial herd fertility rate, unwelcome Government price controls, and the absence of an organized marketing system, have discouraged many producers from expanding their operations.

Jamaica's beef industry got its initial start from cattle imported and bred as draft animals on sugar estates. Although of Zebu stock and readily adaptable to Jamaica's tropical climate, they were not bred for beef until they lost their importance as beasts of burden. In the 1920's and 1930's, other beef breeds were imported and crossbreeding resulted in development of Jamaica's three commercial beef breeds—Jamaican Reds, Blacks, and Brahmans.

Under proper management, fertility and productivity of these breeds are similar to those of good commercial cattle in temperate areas. However, their production has not been fully exploited and the beef cattle population, at some 200,000 head, is relatively small. The calving percentage falls well below the desired 85-percent level and weaning weights in many herds are about 400 pounds.

Jamaica's beef cattle ranches are primarily located in areas of moderate to good rainfall—St. Ann, Manchester, St. James, and Westmorland counties—where the animal ration is basically grass. However, in the last 5 years some on-farm feedlots have been developed. These are of two types—one where cattle are given a limited quantity of locally-produced concentrated rations and access to pasture. On the other, cattle are penned and fed only prepared rations. Some cattle are also raised on sugarcane estates and on banana and coconut plantations.

Many producers believe that if the Jamaican beef industry is to expand, the Government must develop a more equitable price control structure, a vigorous marketing system, and carcass grading standards. They also believe breeding, management, and feeding practices must be upgraded through research so as to cut production costs, currently running between US$40 and US$50 per hundredweight on the hoof.

—Based on dispatch from
LAWRENCE R. FOUCHS
Acting U.S. Agricultural Attaché
Jamaica

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Progress of Soviet Union's Grain Harvest Near Normal

A total of 163.8 million acres (55 percent of the total area) of the Soviet Union's small grains and pulse crops had been cut as of August 20, 1973. By the same date in previous years, 55 percent of the total had been cut in 1970 and 57 percent in both 1971 and 1972. About 133.4 million acres remained to be cut as of August 20 this year, close to 12.3 million more than by the same date in the past 3 years.

Heavy rains in the latter part of July and again in mid-August caused above normal lodging of the grain and interfered with harvesting over much of European USSR. The cutting and windrowing of the grain—the first of the two stages of harvesting in the USSR—has been maintained at a near normal rate, that is, about equal to that in 1970 and 1971.

Rainy weather has had a greater impact on the second stage of harvesting—gathering the grain from the windrows and threshing it with combines. The area of grain crops in windrows totaled 23.7 million acres as of July 30. It was reduced substantially in the next 2 weeks, but increased to 23.5 million acres as of August 20, significantly more than on these dates in any of the past 3 years. Since these windrows have been rained upon, there probably has been some deterioration in the quality of grains.

Also, to the extent that the weather has lodged the grain and delayed the harvest, grain losses during harvesting will be increased. Nevertheless, it does not appear that conditions have been sufficiently bad to date to have caused serious problems with respect to harvesting losses or to grain quality.

STATUS OF 1973 SOVIET GRAIN HARVEST
[In millions of acres]

Period ending	Amount cut: Total [1]	Amount cut: In previous week	Amount threshed: Total [1]	Amount threshed: In previous week	Amount unthreshed in windrows
July 9 . . .	15.8	—	9.1	—	6.7
July 16 . .	36.1	20.3	20.3	11.1	15.8
July 23 . .	60.5	24.5	38.5	18.3	22.0
July 30 . .	80.8	20.3	57.1	18.5	23.7
Aug. 6 . . .	109.0	28.2	88.5	31.4	20.5
Aug. 13 . .	136.9	27.9	118.4	29.9	18.5
Aug. 20 . .	163.8	26.9	140.3	22.0	23.5

[1] May not add because of rounding.

COMPARISON OF 1973 HARVEST WITH PREVIOUS YEARS AS OF AUG. 20
[In millions of acres]

Year	Amount cut: Total	Amount cut: Period of Aug. 14-20	Amount threshed: Total	Amount threshed: Period of Aug. 14-20	Amount unthreshed in windrows
1969 [1] . .	114.9	23.0	94.6	19.0	20.3
1970 [1] . .	154.9	21.0	138.4	17.0	16.6
1971 [1] . .	156.4	28.2	139.1	20.3	17.3
1972 [1] . .	160.9	15.6	153.7	14.6	7.2
1973 . . .	163.8	27.0	140.3	22.0	23.5

[1] Adjusted data.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 28	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 . .	5.76	− 2	2.26
USSR SKS-14	(1)	(1)	(1)
Australian FAO [2]	(1)	(1)	2.03
U.S. No. 2 Dark Northern Spring:			
14 percent	5.85	− 4	2.04
15 percent	(1)	(1)	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	5.74	+ 6	1.99
No. 3 Hard Amber Durum . .	8.57	−33	2.06
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter.	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn . . .	3.30	−68	1.52
Argentine Plate corn	3.76	−41	1.78
U.S. No. 2 sorghum	3.27	−46	1.57
Argentine-Granifero sorghum	3.15	−56	1.59
U.S. No. 3 Feed barley . . .	2.85	−59	1.35
Soybeans: [3]			
U.S. No. 2 Yellow	9.12	−64	3.84
EC import levies:			
Wheat [4]	[5] 0	0	1.77
Corn [6]	[5] .06	+ 6	1.19
Sorghum [6]	[5] .21	+16	1.14

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] New crop. [4] Durum has a separate levy. [5] Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. [6] Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

Sub-Saharan Countries To Get Public Law 480 Grain Sorghum

A new U.S. Government grant of 100,000 metric tons of Title II, Public Law 480 sorghum for drought victims of Africa's Sahelian Zone, was recently announced by the Agency for International Development (AID).

AID is also sending a team of transportation and logistics experts to the drought area to help facilitate movement of the additional relief supplies. Composed of experts from AID, the U.S. Department of Agriculture, and the U.S. Air Force, the group will work closely with counterparts from Chad, Mali, Mauritania, Niger, Upper Volta, and Senegal, with the

Food and Agriculture Organization, and other donors.

These African countries, located along the southern edge of the Sahara, have been plagued by severe drought for more than 4 years and are now threatened by famine. To help avert this disaster, all the U.S. sorghum will be shipped from the United States to the drought area by late September.

The world market value of the new sorghum grant, including shipping, is about $15.5 million. To be committed directly to the six Governments or channeled through the World Food Program, the donation is in addition to 156,000 metric tons of sorghum, wheat, corn, and corn meal the U.S. Government has already committed to the drought-stricken Central and West African countries.

During fiscal 1973, P.L. 480, Title II emergency food aid to the Sahelian Zone totaled 107,000 metric tons. The regular Title II Grain Stabilization Program provided 49,000 tons, bringing the U.S. contribution to 156,000 tons. Other donor countries, mainly European, are providing an additional 230,000 tons.

The six countries purchased through commercial channels another 80,000 tons, bringing total grain imports into the Sahelian Zone during fiscal 1973 to about 470,000 tons.

USDA Reports Export Sale of Grain, Some Oilseeds, Oils, and Meals

Based on information received by the U.S. Department of Commerce, USDA reports anticipated export sales of grains, certain oilseeds, vegetable oils, and meals, as of August 3, 1973.

This information, as reported by U.S. exporters under Export Control Bulletins 84(a) and 87 will be summarized each week under a cooperative arrangement between the Departments of Agriculture and Commerce.

ANTICIPATED EXPORTS IN INDICATED MARKETING YEAR [1] OF GRAIN, SOME OILSEEDS, OILS, AND MEAL, AS OF AUGUST 3, 1973
[In thousands of metric tons]

Commodity	1972-73	1973-74	1974-75
Wheat, totals	0	8,214	273
Hard Red Winter	0	5,393	148
Soft Red Winter	0	195	0
Hard Red Spring	0	981	88
White	0	261	0
Durum	0	1,384	37
Mixed	0	0	0
Barley, unmilled	0	1,015	0
Rye, unmilled	0	55	0
Oats, unmilled	0	420	0
Corn, except seed, unmilled	1,792	8,136	184
Grain sorghum, unmilled	277	732	0
Rice	0	13	0
Soybeans	243	3,547	239
Soybean cake and meal	305	2,064	180
Cottonseed, cottonseed cake, and meal	0	0	0
Soybean oil	44	188	0
Cottonseed oil	3	13	0

[1] Data shown for the 1972-73 marketing year cover the period from August 3, 1973, until the end of the current marketing year. Marketing years for wheat, barley, rye, and oats run from July 1 to June 30; for rice—Aug. 1 to July 31; for corn, grain sorghum, soybean and cottonseed meal, and soybean and cottonseed oil—Oct. 1 to Sept. 30; and for soybeans—Sept. 1 to Aug. 31.

Grain Exports and Transportation Trends: Week Ending August 17

Weekly grain inspections for export and grain moving in inland transportation for the week of August 17 and the previous week were:

Item	Week ending Aug. 17	Previous week	Weekly average, July	Weekly average, fourth quarter
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Weekly inspections, for export:				
Wheat	821	752	749	755
Feedgrains	1,107	1,023	881	738
Soybeans	42	67	91	238
Total	1,970	1,842	1,721	1,731
Inland transportation:				
Barge shipments of grain	441	480	625	376
	Number	*Number*	*Number*	*Number*
Railcar loadings of grain	34,362	35,860	35,041	30,769

FRUIT, NUTS, AND VEGETABLES

Spanish Almond Outlook

Despite trade rumors of additional frost damage in May, Spain's 1973 almond crop is still forecast at 44,000 short tons (kernel weight basis). Thus far, confirmation of the additional damage is lacking and observers caution that the reports may be an attempt to bolster the market.

EC Sets Export Subsidy for Grapes

The EC Commission, effective August 4, 1973, established an export subsidy of 4 units of account per 100 kg. for field grown table grapes of quality classes Extra I, and II shipped to Austria. Earlier reported export subsidies for horticultural products remain unchanged. (*Foreign Agriculture* July 16, 1973, and Aug. 13, 1973.)

FATS, OILS, AND OILSEEDS

Britain Suspends Import Duties On Oilseeds, Meal, and Cake

On August 14, 1973, the U.K. Government suspended import duties on oilseeds, meal, and cake until October 31. Most of these duties are at the rate of 5 or 10 percent on imports from non-Commonwealth sources although soybeans are already duty free. The suspension puts the United Kingdom on equal footing with the remainder of the Community.

Bank of Brazil To Monitor Soybean Exports

CACEX, the Foreign Trade Division of the Bank of Brazil, announced on August 9 new measures to assess the adequacy of Brazil's supply of soybeans for domestic consumption. All soybean exporters must report to CACEX by August 15 the

total quantity of soybeans shipped to date and the total quantity contracted for future export along with planned shipping dates.

The announcement also stated that all new export sales contracts will be subject to prior authorization by CACEX. Unofficial sources indicate soybean export registrations total about 1.6 million metric tons, of which 1.1–1.2 million tons have already been shipped abroad. Soybean meal export registrations are unofficially estimated at about 1 million tons.

India Sets 1972-73 Peanut Crop Decline at 36.5 Percent

The Government of India has recently released final 1972–73 production figures for peanuts of 3,923,800 metric tons, in-shell basis, a 36.5-percent drop from last season's output. The acreage was 8.4 percent less than the previous year; however, drought conditions during the planting and growing seasons were largely responsible for this decline in output. At the same time the Government revised upward last season's peanut production by 8 percent to 6.18 million metric tons, while acreage was revised upward by 4 percent.

Currently India is in the midst of a very tight vegetable oil supply situation. The Government has been delaying purchasing foreign vegetable oil and hoping for a record peanut harvest this year. The current trade estimate for the 1973-74 peanut crop is 4.7-5.2 million metric tons (in-shell). Therefore production may be below the 1971-72 volume.

Fishoil Output Drops in 1973; Some Recovery Likely in 1974

In 1973, world production of fishoil, estimated at 720,000 metric tons, is 187,000 below last year and 420,000 below the record 1971 output. Virtually all of the decline reflects the critical shortage of anchovies off the coast of Peru, as well as a reduced oil extraction rate.

World net exports of fishoil are estimated at 375,000 tons —288,000 tons below the 1972 volume and the smallest since 1964. The estimated decline is equal to the oil fraction of 60 million bushels of soybeans.

In 1974, there are prospects for some recovery in world fishoil production and exports. Production could rise to 840,000 tons—120,000 above the indicated 1973 volume—if Peru achieves its 6-million ton catch target and the oil extraction rate continues unchanged at 2.5 percent. If production recovers partially, as expected, world net exports of fishoil could rise by at least 75,000 tons to 450,000 tons.

Spain's Olive Oil Production To Rise in 1973–74

Spanish olive oil production for 1973–74 is currently forecast to reach 480,000 metric tons—9 percent or 40,000 tons above last season. If good weather develops this fall, the output could rise another 5 percent.

According to the Spanish Olive Syndicate, olive oil consumption during November 1, 1972-May 31, 1973, was 186,700 tons—9,000 tons less than for the same period a year ago. Seed oil consumption, largely soybean oil, approximated 158,000 tons—a 13.6 percent rise. This year between June 1 and October 31, olive oil consumption may rise relative to seed oils because many of the Spanish soybean crushers have not been operating since early July.

Exports of olive oil from November 1, 1972 to May 31, 1973, were 74,400 tons—42 percent more than in the same period last year. Stocks of olive oil on June 1, 1973, were about 288,500 tons, while seed oil stocks were 153,500 tons.

Canada Reports Record Exports of Rapeseed in 1972–73

According to preliminary shipping data published by the Board of Grain Commissioners, Canada exported 53.96 million bushels of rapeseed, setting a new record in the 1972–73 marketing year. Exports in August–July exceeded last year's total of 42.59 million bushels by 27 percent.

TOBACCO

Japanese Increase U.S. Cigarette Imports

Japanese imports of U.S. cigarettes during the first half of calendar 1973 were up 132 percent from the same period a year earlier. The increase is due to a dramatic jump in the U.S. import market share coupled with increased total imports. The U.S. share of the imported cigarette market for the 6-month period increased from 41.6 percent in 1972 to 76.5 percent in 1973. Total volume from the United States during January-June 1973, was 759.8 million pieces.

U.S. exports of cigarettes to Japan have risen steadily over recent years from 629.4 million pieces in fiscal 1970 to 1,410.6 million pieces valued at $8,450,884 in fiscal 1973.

Australia Moves To Ban Cigarette Ads

The Government of Australia recently approved a program that will phase out cigarette advertisements over radio and television. Cigarette tobacco is included in the program that will result in a total ban after 3 years.

The phaseout will consist of a total ban during certain daily time periods and will limit the hourly number of ads during the remaining airtime. The length of the total ban period will be increased and the number of ads allowed reduced until a total "embargo" is reached late in 1976.

Tobacco industry authorities indicated that they do not foresee any significant effect on consumption but did admit that the introduction of new brands would be more difficult.

Australian manufacturers used 52.6 million pounds of tobacco in 1972, 23.8 million pounds (45 percent) of which was imported. Total 1972 imports were 27.5 million pounds with the United States supplying 17.1 million.

New Foreign Agriculture Circulars

- Quarterly Prices for Canned Fruits and Juices (FCAN-4-73)
- World Grain Situation: Review and Outlook (FG-11-73)

Single copies may be obtained free from the Foreign Agricultural Service, USDA, Washington, D.C. 20250, Rm. 5918 S.; Tel.: 202-447-7937.

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EUROPEAN COMMUNITY TO REVIEW THE CAP

Continued from page 9

limiting export subsidies and on stabilizing international markets through multilateral commodity arrangements, which could include stockpiling policies. According to this statement, the Community should be prepared to modify its import regulations, although Community producers should continue to receive a degree of preference over other suppliers. This modification might involve basing import levies on more objective criteria such as a world reference price.

The statement suggested the following policy alternatives:

- A mixed income-supplement/import-levy system could be introduced in the grain sector. The income supplement could mean lower prices and lower costs to livestock producers, with the height of the levy limiting the budgetary cost of the scheme.
- Contracts might be made with individual farmers, perhaps defined by region or economic class, wherein they would receive direct subsidies. In return, they would restrain production, divert resources along approved lines, or make land available for public purposes.
- Prices might be readjusted to reflect world market conditions. The present generation of farm families would be compensated for any resulting loss of income through direct payments over a long adjustment period. These subsidies would not be granted to new farmers entering agriculture.

The German press has reported that a board of economic advisors to the Ministry of Agriculture, not itself part of the Ministry, has made various recommendations, including a form of renationalization of agricultural policy.

THIS WOULD make permanent the present system of border compensation for different exchange rates among the Member States. It might be extended to provide for further intra-Community import restrictions to adjust for different farm price levels among the Member States. The board's recommendations concentrated on structural measures to reduce production capacity.

The president of the European Federation of Agricultural Employees, discussing his organization's recent conference at the Hague, noted an increasingly prevalent view that surpluses should be paid for where they originate. This would not be easy for his French and Italian colleagues, he said, but it would be necessary.

On the other hand, the Committee of Professional Agricultural Organizations (COPA) has emphatically rejected the idea of tampering with the present principles of the Community's agricultural policy. It has maintained, for example, that a more restrictive intervention policy would hurt the weaker producers. It feels, too, that the Community must be more or less self-sufficient and not susceptible to world shortages.

Despite the many varied opinions, the Commission's report will probably assert that the CAP has been on balance successful—that it needs only minor adjustments to become more responsive to policy guidance in dealing with relatively short-term aberrations such as the present butter surplus. The Commission will want to avoid rekindling the struggles of last March and April and to avoid what might seem a sign of weakness in the face of coming multilateral trade negotiations.

However, the existence of this report could be the beginning of a much-needed dialogue, both in the Council and in the Member States, on what the Community's future agricultural policy should be. Pressures within the Member States, most notably Germany and the United Kingdom, could lead to more far-reaching proposals as the debate proceeds.

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